

PERAC AUDIT REPORT



Northbridge Contributory Retirement System

JAN. 1, 2000 - DEC. 31, 2003 / PERAC 03: 10-072-24



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

September 30, 2004

The Public Employee Retirement Administration Commission has completed an examination of the **Northbridge** Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, **2000** to December 31, **2003**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission. There were no significant findings to report.

We commend the **Northbridge** Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiner Richard Ackerson who conducted this examination and expresses appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



Northbridge Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDING DECEMBER 31, 2003**

	FOR THE PERIOD ENDING DECEMBER 31,			
ASSETS	2003	2002	2001	2000
Cash	\$25	\$19,202	\$1	\$0
Short Term Investments	0	0	0	0
Fixed Income Securities (at book value)	0	0	0	0
Equities	0	0	0	0
Pooled Short Term Funds	0	0	0	0
Pooled Domestic Equity Funds	0	0	0	0
Pooled International Equity Funds	0	0	0	0
Pooled Global Equity Funds	0	0	0	0
Pooled Domestic Fixed Income Funds	0	0	0	0
Pooled International Fixed Income Funds	0	0	0	0
Pooled Global Fixed Income Funds	0	0	0	0
Pooled Alternative Investment Funds	0	0	0	0
Pooled Real Estate Funds	0	0	0	0
Pooled Domestic Balanced Funds	0	0	0	0
Pooled International Balanced Funds	0	0	0	0
PRIT Cash Fund	25,964	75,087	67,245	36,614
PRIT Core Fund	13,570,740	10,579,571	11,473,535	11,971,553
Interest Due and Accrued	0	0	0	0
Accounts Receivable	15,528	7,141	69,934	67,469
Accounts Payable	(3,191)	(3,365)	(1,559)	(7,572)
TOTAL	<u>\$13,609,067</u>	<u>\$10,677,637</u>	<u>\$11,609,156</u>	<u>\$12,068,063</u>
FUND BALANCES				
Annuity Savings Fund	\$3,913,701	\$3,656,642	\$3,406,537	\$2,947,503
Annuity Reserve Fund	1,191,656	1,057,530	961,845	1,032,452
Pension Fund	12,419	101,076	165,944	163,255
Military Service Fund	475	470	463	455
Expense Fund	0	0	0	0
Pension Reserve Fund	8,490,817	5,861,918	7,074,367	7,924,398
TOTAL	<u>\$13,609,067</u>	<u>\$10,677,637</u>	<u>\$11,609,156</u>	<u>\$12,068,063</u>

Northbridge Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDING DECEMBER 31, 2003**

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2000)	\$2,856,993	\$830,571	\$125,719	\$0	\$0	\$8,152,849	\$11,966,132
Receipts	479,637	28,514	792,264	9	119,937	(228,006)	1,192,357
Interfund Transfers	(297,105)	297,105	0	445	0	(445)	0
Disbursements	<u>(92,022)</u>	<u>(123,738)</u>	<u>(754,729)</u>	<u>0</u>	<u>(119,937)</u>	<u>0</u>	<u>(1,090,426)</u>
Ending Balance (2000)	2,947,503	1,032,452	163,255	455	0	7,924,398	12,068,063
Receipts	623,330	29,503	820,911	9	119,056	(850,031)	742,779
Interfund Transfers	(33,350)	33,350	0	0	0	0	0
Disbursements	<u>(130,947)</u>	<u>(133,461)</u>	<u>(818,222)</u>	<u>0</u>	<u>(119,056)</u>	<u>0</u>	<u>(1,201,685)</u>
Ending Balance (2001)	3,406,537	961,845	165,944	463	0	7,074,367	11,609,156
Receipts	576,010	27,990	852,745	6	134,192	(1,212,449)	378,495
Interfund Transfers	(212,317)	212,317	0	0	0	0	0
Disbursements	<u>(113,587)</u>	<u>(144,622)</u>	<u>(917,614)</u>	<u>0</u>	<u>(134,192)</u>	<u>0</u>	<u>(1,310,014)</u>
Ending Balance (2002)	3,656,642	1,057,530	101,076	470	0	5,861,918	10,677,637
Receipts	610,800	31,888	851,684	5	131,954	2,627,189	4,253,520
Interfund Transfers	(251,656)	249,946	0	0	0	1,709	0
Disbursements	<u>(102,085)</u>	<u>(147,709)</u>	<u>(940,341)</u>	<u>0</u>	<u>(131,954)</u>	<u>0</u>	<u>(1,322,090)</u>
Ending Balance (2003)	<u>\$3,913,701</u>	<u>\$1,191,656</u>	<u>\$12,419</u>	<u>\$475</u>	<u>\$0</u>	<u>\$8,490,817</u>	<u>\$13,609,067</u>

Northbridge Retirement System

STATEMENT OF INCOME

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDING DECEMBER 31, 2003**

	FOR THE PERIOD ENDING DECEMBER 31,			
	2003	2002	2001	2000
Annuity Savings Fund:				
Members Deductions	\$514,485	\$508,424	\$466,615	\$403,785
Transfers from other Systems	0	7,112	93,805	899
Member Make Up Payments and Redeposits	61,045	13,947	6,971	19,706
Investment Income Credited to Member Accounts	<u>35,270</u>	<u>46,526</u>	<u>55,939</u>	<u>55,247</u>
Sub Total	<u>610,800</u>	<u>576,010</u>	<u>623,330</u>	<u>479,637</u>
Annuity Reserve Fund:				
Investment Income Credited Annuity Reserve Fund	<u>31,888</u>	<u>27,990</u>	<u>29,503</u>	<u>28,514</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems	13,254	12,015	14,058	10,783
Received from Commonwealth for COLA and				
Survivor Benefits	0	104,580	104,580	104,580
Pension Fund Appropriation	<u>838,430</u>	<u>736,150</u>	<u>702,273</u>	<u>676,901</u>
Sub Total	<u>851,684</u>	<u>852,745</u>	<u>820,911</u>	<u>792,264</u>
Military Service Fund:				
Contribution Received from Municipality on Account				
of Military Service	0	0	0	0
Investment Income Credited Military Service Fund	<u>5</u>	<u>6</u>	<u>9</u>	<u>9</u>
Sub Total	<u>5</u>	<u>6</u>	<u>9</u>	<u>9</u>
Expense Fund:				
Expense Fund Appropriation	0	0	0	0
Investment Income Credited to Expense Fund	<u>131,954</u>	<u>134,192</u>	<u>119,056</u>	<u>119,937</u>
Sub Total	<u>131,954</u>	<u>134,192</u>	<u>119,056</u>	<u>119,937</u>
Pension Reserve Fund:				
Federal Grant Reimbursement	14,853	0	0	0
Pension Reserve Appropriation	0	0	0	0
Interest Not Refunded	1,135	389	2,487	4,617
Excess Investment Income	<u>2,611,201</u>	<u>(1,212,838)</u>	<u>(852,517)</u>	<u>(232,622)</u>
Sub Total	<u>2,627,189</u>	<u>(1,212,449)</u>	<u>(850,031)</u>	<u>(228,006)</u>
TOTAL RECEIPTS	<u>\$4,253,520</u>	<u>\$378,495</u>	<u>\$742,779</u>	<u>\$1,192,357</u>

Northbridge Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDING DECEMBER 31, 2003**

FOR THE PERIOD ENDING DECEMBER 31,				
	2003	2002	2001	2000
Annuity Savings Fund:				
Refunds to Members	\$62,721	\$43,595	\$64,303	\$68,213
Transfers to other Systems	39,365	69,992	66,643	23,808
Sub Total	<u>102,085</u>	<u>113,587</u>	<u>130,947</u>	<u>92,022</u>
Annuity Reserve Fund:				
Annuities Paid	147,709	138,107	131,390	123,738
Option B Refunds	0	6,515	2,072	0
Sub Total	<u>147,709</u>	<u>144,622</u>	<u>133,461</u>	<u>123,738</u>
Pension Fund:				
Pensions Paid				
Regular Pension Payments	629,372	547,671	521,444	495,928
Survivorship Payments	56,502	73,268	50,924	47,440
Ordinary Disability Payments	0	0	0	0
Accidental Disability Payments	157,705	200,937	114,667	107,081
Accidental Death Payments	0	0	0	0
Section 101 Benefits	2,809	2,599	36,368	2,192
3 (8) (c) Reimbursements to Other Systems	34,673	31,467	30,974	34,585
State Reimbursable COLA's Paid	59,280	61,671	63,844	67,502
Chapter 389 Beneficiary Increase Paid	0	0	0	0
Sub Total	<u>940,341</u>	<u>917,614</u>	<u>818,222</u>	<u>754,729</u>
Military Service Fund:				
Return to Municipality for Members Who				
Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:				
Board Member Stipend	0	0	0	0
Salaries	33,467	47,651	31,381	30,652
Legal Expenses	0	140	5,003	498
Medical Expenses	0	0	0	0
Travel Expenses	3,470	2,277	2,832	2,687
Administrative Expenses	34,736	35,975	33,158	41,044
Furniture and Equipment	1,351	0	0	189
Fiduciary Insurance	3,120	2,506	0	0
Service Contracts	5,817	0	0	0
Management Fees	49,992	45,644	46,682	44,868
Custodial Fees	0	0	0	0
Consultant Fees	0	0	0	0
Sub Total	<u>131,954</u>	<u>134,192</u>	<u>119,056</u>	<u>119,937</u>

Northbridge Retirement System

INVESTMENT INCOME

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDING DECEMBER 31, 2003**

	FOR THE PERIOD ENDING DECEMBER 31,			
	2003	2002	2001	2000
Investment Income Received From:				
Cash	351	490	1	0
Short Term Investments	0	0	0	0
Fixed Income	0	0	0	0
Equities	0	0	0	0
Pooled or Mutual Funds	384,389	365,953	383,484	516,251
Commission Recapture	0	0		
TOTAL INVESTMENT INCOME	<u>384,741</u>	<u>366,443</u>	<u>383,485</u>	<u>516,251</u>
Plus:				
Realized Gains	359,547	15,948	79,640	982,750
Unrealized Gains	2,342,050	1,202,873	1,526,126	0
Interest Due and Accrued on Fixed Income Securities - Current Year	0	0	0	0
Sub Total	<u>2,701,597</u>	<u>1,218,821</u>	<u>1,605,766</u>	<u>982,750</u>
Less:				
Paid Accrued Interest on Fixed Income Securities	0	0	0	0
Realized Loss	(31,016)	(355,632)	(146,925)	0
Unrealized Loss	(245,004)	(2,233,522)	(2,490,337)	(1,527,916)
Interest Due and Accrued on Fixed Income Securities - Prior Year	0	0	0	0
Sub Total	<u>(276,020)</u>	<u>(2,589,154)</u>	<u>(2,637,262)</u>	<u>(1,527,916)</u>
NET INVESTMENT INCOME	<u>2,810,318</u>	<u>(1,003,890)</u>	<u>(648,011)</u>	<u>(28,915)</u>
Income Required:				
Annuity Savings Fund	35,270	46,526	55,939	55,247
Annuity Reserve Fund	31,888	27,990	29,503	28,514
Military Service Fund	5	6	9	9
Expense Fund	131,954	134,192	119,056	119,937
TOTAL INCOME REQUIRED	<u>199,118</u>	<u>208,714</u>	<u>204,507</u>	<u>203,708</u>
Net Investment Income	<u>2,810,318</u>	<u>(1,003,890)</u>	<u>(648,011)</u>	<u>(28,915)</u>
Less: Total Income Required	<u>199,118</u>	<u>208,714</u>	<u>204,507</u>	<u>203,708</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>\$2,611,201</u>	<u>(\$1,212,604)</u>	<u>(\$852,518)</u>	<u>(\$232,622)</u>

Northbridge Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

	BOOK VALUE*	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash		\$25	0.00%	100
Short Term		0	0.00%	100
Fixed Income		0	0.00%	40 - 80
Equities		0	0.00%	40
Pooled Short Term Funds		0	0.00%	
Pooled Domestic Equity Funds		0	0.00%	
Pooled International Equity Funds		0	0.00%	
Pooled Global Equity Funds		0	0.00%	
Pooled Domestic Fixed Income Funds		0	0.00%	
Pooled International Fixed Income Funds		0	0.00%	
Pooled Global Fixed Income Funds		0	0.00%	
Pooled Alternative Investment Funds		0	0.00%	
Pooled Real Estate Funds		0	0.00%	
Pooled Domestic Balanced Funds		0	0.00%	
Pooled International Balanced Funds		0	0.00%	
PRIT Cash Fund		25,964	0.19%	
PRIT Core Fund		<u>13,570,740</u>	<u>99.81%</u>	100
GRAND TOTALS	<u>\$0</u>	<u>\$13,596,730</u>	<u>100.00%</u>	

* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ending December 31, **2003**, the rate of return for the investments of the **Northbridge** Retirement System was 26.36%. For the five-year period ending December 31, **2003**, the rate of return for the investments of the **Northbridge** Retirement System averaged 5.86%. For the 19-year period ending December 31, **2003**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Northbridge** Retirement System was 11.26%.

Northbridge Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

The **Northbridge** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on :

The Northbridge Retirement System does not have any supplementary investment regulations.

Northbridge Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all **Northbridge** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

Northbridge Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

Northbridge Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The **Northbridge** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

December 12, 1984

An employee must be considered as a regular employee of the town to be eligible for membership in the retirement system.

A regular employee of the town must have a regularly scheduled workweek of 28 hours or more per week with a commensurate salary.

All regular employees must join the retirement system.

Northbridge Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Regular employees shall have only one (1) position, considered as regular full time employment. All other paid positions shall be considered overtime positions for the purposes of determining regular compensation only.

Seasonal positions will be credited for a full year for not less than (9) nine months of actual full time service during any one calendar year. Positions of less than full time service will be credited on the basis of the percentages of yearly credit as noted in amended regulation below.

Creditable membership make- up payments for the full amount due will be accepted for the years of creditable membership voted by the Northbridge Retirement Board, as computed by the town accountant.

February 7, 1985

Credit for membership shall be computed as follows:

Non-union	28-35 hours will receive 80% credit
	35 hours or more will receive 100% credit

Union Contracts	28-40 hours will receive 70% credit
	40 hours will receive 100% credit

C.E.T.A. employees are subject to the Board's regulations

July 23, 1985

Credit for membership shall be computed as follows:

Non-Union and Union	28-35 hours will receive 80% credit
contracts of 35	35 or more will receive 100% credit
to 37½ hrs	

Union contracts	28-40 hours will receive 70% credit
of 40 hrs:	40 hours will receive 100% credit

Northbridge Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

January 8, 2002

An employee must be considered as a regular employee of the town to be eligible for membership in the retirement system. A regular employee of the town must have a regularly scheduled workweek of 28 hours or more per week with a commensurate salary. All regular employees must join the retirement system.

All regular employees, except as noted below, who are scheduled to work less than twenty-six (26) calendar weeks or uninterrupted employment unless for required military service, authorized paid vacation, sick, personal leave or other authorized leaves of absence are not eligible for membership in the Northbridge Retirement System.

Any active or inactive member who becomes a part-time, provisional, temporary, temporary provisional, seasonal or intermittent employee shall continue to be a member of the Northbridge Retirement System.

Northbridge Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the Town Accountant who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: Theresa Cenedella

Appointed Member: Sharon Susienka Term Expires: 02/04/06

Elected Member: John Meagher Term Expires: 06/30/06

Elected Member: Muriel Barry Term Expires: 06/30/06

Appointed Member: Jeanne Sohigian Term Expires: 06/30/05

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	
Ex officio Member:)	\$1,000,000/\$30,000,000
Elected Member:)	MACRS Policy
Appointed Member:)	
Staff Employee:)	

Northbridge Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by **Stone Consulting** as of **January 1, 2002**.

The actuarial liability for active members was	\$10,064,691
The actuarial liability for retired members was	<u>7,794,713</u>
The total actuarial liability was	17,859,404
System assets as of that date were	<u>11,609,156</u>
The unfunded actuarial liability was	<u>\$6,250,248</u>
 The ratio of system's assets to total actuarial liability was	 65.0%
As of that date the total covered employee payroll was	\$5,839,373

The normal cost for employees on that date was 8.10% of payroll

The normal cost for the employer was 5.10% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.25% per annum

Rate of Salary Increase: 5.00% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2002

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2002	\$11,609,156	\$17,859,404	\$6,250,248	65.0%	\$5,839,373	107.0%
1/1/2000	11,966,132	15,449,436	3,483,304	77.5%	4,568,792	76.2%
1/1/1998	8,094,503	13,011,668	4,917,165	62.2%	3,744,101	131.3%

Northbridge Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Superannuation	6	2	3	1	7	0	8	2	4	6
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	0	0	1	0	0	0	1	0	0	1
Total Retirements	6	2	4	1	7	0	9	2	4	7
 Total Retirees, Beneficiaries and Survivors	 102	 98	 102	 97	 98	 98	 97	 96	 95	 97
 Total Active Members	 131	 138	 140	 134	 161	 171	 171	 201	 178	 170
 Pension Payments										
Superannuation	\$392,375	\$406,990	\$403,906	\$416,628	\$442,691	\$453,722	\$495,928	\$521,444	\$547,671	\$629,372
Survivor/Beneficiary Payments	37,203	26,875	31,370	27,782	31,441	40,507	47,440	50,924	73,268	56,502
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	59,798	59,798	71,000	85,482	85,461	80,742	107,081	114,667	200,937	157,705
Other	<u>112,711</u>	<u>123,092</u>	<u>128,386</u>	<u>124,161</u>	<u>133,748</u>	<u>132,721</u>	<u>104,280</u>	<u>131,186</u>	<u>95,737</u>	<u>96,762</u>
Total Payments for Year	<u>\$602,087</u>	<u>\$616,755</u>	<u>\$634,662</u>	<u>\$654,053</u>	<u>\$693,341</u>	<u>\$707,692</u>	<u>\$754,729</u>	<u>\$818,222</u>	<u>\$917,614</u>	<u>\$940,341</u>

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